

## Board of County Commissioners Agenda Request 17

**Date of Meeting:** February 25, 2003

**Date Submitted:** February 20, 2003

**To:** Honorable Chairman and Members of the Board

**From:** Finance Advisory Committee:  
 Parwez Alam, County Administrator  
 Bill Bogan, Finance Director  
 Bob Inzer, Clerk of the Circuit Court  
 Alan Rosenzweig, Director, Office of Management and Budget  
 Herb W. A. Thiele, Esq., County Attorney

**Subject:** Approval of Financing Plan - Bank of America Building Purchase

**Statement of Issue:**

Request the Board approve a negotiated bond sale not to exceed \$20 million for the purposes of acquiring the Bank of America Building and associated capital projects at the existing Courthouse utilizing A.G. Edwards as the Senior Underwriter and Jackson Securities as the Co-Manager.

**Background:**

On January 28, 2002, the Board approved the purchase of the Bank of America Building (BOA). Included in the materials presented to the Board on January 28, 2002, was a preliminary financing plan to acquire the building and provide funds for necessary improvements to the both the Bank of America Building and the existing Courthouse.

Subsequent to January 28, 2002, the County's Finance Advisory Committee has been meeting with the County's Financial Advisor and Bond Counsel to determine specific recommendations and requirements associated with this transaction.

**Analysis:**

The Board has authorized the purchase of the BOA Building for approximately \$15.150 million. This project requires providing funding for renovations at the BOA and the existing Courthouse associated with the relocation of the various tenants. In addition, the bond includes \$4.5 million for anticipated retrofit costs associated with the Courthouse parking garage and other maintenance needs of the Courthouse. Attachment #1 contains a preliminary estimate from Facilities Management regarding these costs. Figure 1.0 provides a summary of anticipated capital project resources and expenditures through Fiscal Year 2008. Attachment #2 provides a more detailed annual anticipated cash flow for the capital projects.

**Figure 1.0: Resources & Expenditures**

Resources		
Traffic Court CIP	\$1,771,000	
Long Term Space CIP	\$4,189,000	
Sale of Traffic Court	\$1,250,000	

23

BOA Bond	\$20,000,000	
<b>Total Resources</b>		\$27,210,000
<b>Expenditures (through FY2008)</b>		
Purchase BOA	\$15,150,000	
Renovations BOA	\$4,927,410	
Renovations Courthouse	\$2,632,590	
Courthouse Parking/Maintenance	\$4,500,000	
<b>Total Expenditures</b>		\$27,210,000

Attachment # 2  
Page 2 of 3

Based on discussions with County Bond Counsel, a determination has been made that the majority of the purchase price and renovations associated with the BOA will require the issuance of taxable debt. Based on a preliminary analysis, the bond financing will consist of \$13.0 million in municipal taxable debt and \$7.0 million in tax exempt debt. The taxable status is the direct result of the County desiring to retain a significant portion of the facility as income generating space.

Attachment #3 is a schedule showing the annual projected debt service requirements associated with the new bond issue and this new issue, s overall relationship to the County, s existing debt service requirements. These projections include operating expenses in County-occupied space in the BOA. The debt service schedule for the new issue is being structured to complement the County, s existing debt service. This approach allows two things to occur: 1) income from the BOA can be utilized to offset the new debt service and 2) growth in existing revenues currently being utilized for debt service can be used to offset any future debt service requirements.

### **Method of Sale**

County Policy 95-1 (Attachment #4) provides guidelines for the method of sale for a bond transaction. Specifically, the policy recommends competitive sales when the bond transaction " is not viewed as complex, innovative or requiring explanation in the market." Due to the structure of the financing requiring the majority of the debt to be issued taxable, and the requirements associated with the timetable for closing, the County, s Finance Advisor has recommended the issuance of debt through a negotiated process. The Finance Advisor, s recommendation can be found in

Attachment #5. The Finance Advisory Committee concurs with this recommendation.

### **Underwriter Selection**

At the March 9, 1999 Board meeting, the Board selected a team of Investment Banking firms for future bond financing for Leon County. The original RFP stated the team selected would serve for three years with one two year extension available. In order to utilize members of the existing team of underwriters, the Board needs to authorize the two year extension. The County had received fifteen proposals and five firms were selected: A.G. Edwards, First Union, Jackson Securities, Paine Webber and Salomon Smith Barney. Neither First Union nor its successor currently participate in public financing. The Board designated Salomon Smith Barney as the Senior Manager for the next bond issued by the County. For the Series 1999 Bonds, Salomon Smith Barney acted as the Senior Manager and Jackson Securities, a MBE, performed as the Co-Manager.

The County, s financial advisor and the Finance Advisory Committee strongly recommends utilizing members from the existing underwriting team. The Finance Advisory Committee recommends utilizing A.G. Edwards as the Senior Underwriter and Jackson Securities as the Co-Manager.

If the Board elects not to utilize the existing underwriting team, then it is recommended a Request for Proposal be

issued to select an underwriter(s) for the County. If necessary, a draft proposal is attached for the Board's consideration (Attachment #6).

Attachment # 2  
Page 3 of 3

### **Additional Financing Issues - Land Sales**

As discussed above, the proposed financing plan addresses the anticipated requirements for both the Courthouse and BOA through fiscal year 2008. Based on preliminary analysis for the long term needs of both facilities, Attachment #2 provides additional requirements from Fiscal Year 2009 through Fiscal Year 2012. As with any investment of this magnitude it is difficult to determine what the actual long term costs requirements will be and when they will occur. To help mitigate these potential impacts, the County is proposing selling the approximate 80 acres at Eastwood/Weems (near Tom Brown park) as discussed in Board workshops on March 19, 2002 and October 15, 2002, and in December 10, 2002 and January 28, 2003 agenda items. Although the proceeds of this sale are not required for a number of years, it is important to begin the marketing of this land now to avoid having to sell at a less than desirable price. A separate agenda has been presented for Board consideration to address these land sales.

### **Conclusion**

In summary, the Finance Advisory Committee and the County's Financial Advisor recommend extending the award period for the existing underwriting team for two years and authorize A. G. Edwards as the Senior Manager and Jackson Securities as the Co-Manager for a negotiated bond financing not to exceed \$20 million.

### **Options:**

1. Authorize staff to proceed with developing a negotiated bond sale not to exceed \$20 million.
2. Authorize the extension of two years to utilize the existing team of underwriters and approve utilizing A. G. Edwards as Senior Manager and Jackson Securities as Co-Manager for the issuance of the debt.
3. Authorize the extension of two years to utilize the existing team of underwriters and authorize utilizing a different team of underwriters from the existing pool as determined by the Board.
4. Authorize the issuance of a Request for Proposals to select an underwriter(s) for the issuance of these bonds.
5. Board Direction.

### **Recommendation:**

Options #1 and #2.

### **Attachments:**

1. Preliminary Information from Facilities Management re: Courthouse
2. Capital Improvement Cash Flow
3. Annual Budget Requirements Schedule
4. County Policy 95-1 "Selecting and Managing the Method of Sale of Local Government Bonds"
5. Memorandum from Financial Advisor, William R. Hough & Co., February 12, 2003
6. Draft Request for Proposal for Investment Banking Services